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DIFFERENTIAL ASSESSMENT OF FARMLAND NEAR CITIES...

Experience in Maryland Through 1965

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PREFACE

One of the continuing responsibilities of the Department of Agriculture, as stated in the law which established the Department, is "...to acquire and diffuse among the people of the United States useful information on subjects connected with agriculture in the most common and comprehensive sense of that word ..." Studies of farm real estate taxation have been carried on in the Department for many years, and farm real estate taxes are an integral part of the parity formula enacted by Congress.

Since the introduction of differential assessment of farmland in Maryland in 1956, citizens and officials of many other States have shown interest in this type of legislation, and roughly one-fourth of the States have adopted such laws. The U.S. Department of Agriculture receives many requests for information on this subject; this study was initiated in response to these requests for information.

Specifically, this study is designed to provide estimates of the number of acres affected by the Maryland program and the costs of the program. No attempt has been made to assess the benefits of the law, nor to determine how the benefits are distributed among various classes of citizens.

The Department has taken no official position on the desirability of differential assessment legislation.

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Washington, D. C. October 1967

SUMMARY

In an effort to cope with the problem of taxing farmland in the path of urban expansion, Maryland became in 1956 the first State to pass a law requiring that land devoted to agricultural use be assessed on the basis of that use alone. Widespread interest in this type of legislation and its adoption in other States has prompted this study almost 10 years later to estimate the effects of the Maryland use-value assessment policy on farmland assessments and on the resulting tax base for local governments.

In enacting the use-value assessment law, the Maryland legislature stated its intent as "...to prevent the forced conversion of--open space to more intensive uses as a result of economic pressures caused by the assessment of land at a rate or level incompatible with the practical use of such land for farming." This study has produced no evidence to show that lower taxes either have or have not preserved open space. It does show, however, that taxes of farmland are substantially lower than they would have been in the absence of the law. The estimated average tax savings ranged from $0.60 an acre in Frederick County to $15.20 an acre in Montgomery County.

The goal of lowering taxes on farmland is not reached without cost. If local governmental units maintain their total revenue from the property tax, the lower taxes on farmland must be balanced by higher taxes on other property. It was estimated that average tax rates could have been $0.02 to $0.27 per $100 of assessed valuation lower in the absence of use-value assessment.

Measured in terms of the purchase of land in fee simple--another method of maintaining open space--the rural counties forego enough tax revenue to have purchased about 0.5 percent of their farmland in 1965, the urban counties about 1 percent.

DIFFERENTIAL ASSESSMENT OF FARMLAND NEAR CITIES... EXPERIENCE IN MARYLAND THROUGH 1965

By

Peter W. House [1]

INTRODUCTION

The real property tax is the main source of revenue for local governments throughout the United States. In 1962, this tax accounted for 48 percent of local general revenues. Many people, however, believe it places an unfair financial burden on certain groups of taxpayers. Often cited as an example of this inequity are retired people living on a reduced income who are taxed on the same basis as those earning a full salary.

This line of reasoning has sometimes led to the granting of "old age" exemptions which forgive all or part of the property taxes of people of a given age and income. Other examples of statewide exemptions for citizens who are felt to be in need of relief from the property tax include the homestead exemption, which usually excuses a taxpayer from paying property taxes on a certain amount (or percent) of the assessed valuation of his residential property; exemptions for the blind; and exemptions for religious or philanthropic groups.

The policy of excusing certain portions of our populace from part or all of the property tax levy has not been unanimously approved by researchers concerned with property taxation. The Advisory Commission on Intergovernmental Relations comments:

> The States have long had a propensity, which is continuing, to fritter away the property tax base by concealing subsidies, in the form of special tax exemptions to promote private causes of questionable public importance, provide welfare aid, advance undertakings for social and economic reforms, and reward public services. Typically, these special tax exemptions are mandatory upon local jurisdictions; they have to be honored by them regardless of their revenue cost or the preference of the local community. [2]

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[1] At the time this research was conducted, Mr. House was an economist with the Economic Research Service. He is now associated with the Washington Center for Metropolitan Studies.

[2] Advisory Commission on Intergovernmental Relations. The Role of the States in Strengthening the Property Tax. A-17 1963, U.S. Govt. Print. Off., 1963, vol. 1, p. 4.

Another criticism of special tax exemptions is that many of these exemptions are granted without any clear realization of their effect on, or cost to, the taxpayer not receiving such an exemption.

In recent years, another group of taxpayers--the owners of farmland around growing urban areas--has been cited as a class of landowner which is treated unfairly by a strict application of the ad valorem principle of taxation.[3] It is said that if these owners are to be taxed on the basis of what their land will sell for in the market place, they will be forced to liquidate their farm holdings, because their agricultural income cannot support such taxes. Many have held not only that ad valorem taxation of the land is unfair to the farmland owner, but that maintaining farmland around our growing cities serves a public purpose and, therefore, deserves special tax consideration.

The method of helping the farmowner in this situation appears simple: if his property taxes are too high, reduce them; if the land he presently owns is only earning income in agricultural pursuits, then tax it only on this basis. Advocates of this policy of granting a special assessment to owners of land in agricultural use maintain that it confers many benefits on the public at large, in addition to the obvious benefit to the farmland owner. It has been said, for example, that the law preserves farming in areas around growing cities. It is argued that large-scale suburban development usually results in the loss of the best farming land in a locale. This is because the features that make land profitable for farming use, such as topography and drainage, often make it most desirable for development purposes. Use-value assessment is also said to preserve open space. Such arguments are not usually concerned with the productive capacity of the land, but with the land's aesthetic qualities or recreational capabilities.

Finally, as mentioned above, this policy is said to reduce the farmer's tax bill to a point where he is able to pay his taxes out of his present farm income. Such a reduction is said to insure that the farm owner will not be forced to sell his property. It further guarantees that the farm owner will retain the option to abandon farming in a particular area at his own discretion--not because of high real property taxes.

Today, almost a decade after its first enactment by a State, the effects of such use-value legislation are still unclear. For example, questions have been raised about (1) the extent to which the legislation has benefited the land speculator and the farmer; (2) how many acres are affected by the legislation; and (3) what the legislation has meant to the local governments in terms of reduced tax base or revenues lost. Others have expressed concern over what the cost has been to the homeowner and the nonfarm property owner in terms of a higher real property tax bill.

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[3] Ad valorem means according to value. Such value is usually interpreted to mean the price a willing buyer would pay a willing seller in an arm's length transaction.

The general lack of precise information about the effects of the Maryland farm assessment law was reflected in a resolution introduced (but not passed) in the 1966 session of the Maryland Senate calling for a review and study of the law. The resolution stated:

> Whereas, the Maryland Farm Assessment Law has operated as an effective means of keeping suburban county lands in agricultural use and prevented the bona fide farmer from being driven from the land; and
>
> Whereas, certain speculators and real estate operators who do not have a sincere interest in farming as an occupation have unfortunately used the law as a device to avoid paying taxes comparable to the normal tax rate of a particular area; and
>
> Whereas, the tax savings by these speculators are made at the expense of other property taxpayers who do not have the benefit of special tax protection: and
>
> Whereas, the full impact of the law on the tax base of the various counties is not completely known... 4/

The resolution goes on to suggest that a committee be set up to study the law.

Decisions to enact or not to enact a law which enables farmland owners to receive a use-value assessment of their properties depend on all of the factors mentioned above--the benefits as well as the costs. The focus of this report of Maryland's experience with differential assessment will be on the cost of granting such an assessment rather than on the measurement of the benefits received by the public from enacting such a plan. In particular, the report does not attempt to determine the extent to which benefits flow to speculators and others who are not, in some sense, bona fide farmers.

The decision to narrow the focus was based on two factors: first, it is extremely difficult, if not impossible, to measure how much of the farmland is retained as farmland or as open space as a direct consequence of granting the owners a use-value assessment, let alone to put a dollar value on the benefits from this open space; second, much of the discussion concerning a policy of use-value assessment has concentrated on the benefits to be derived from such a policy and has ignored the costs. For example, it is often argued that use-value assessment is an inexpensive way to maintain open space, compared with such plans as the purchase of development rights and fee simple purchase.

4/ Senate Resolution No. 58, State of Maryland, March 1966.

THE STUDY

Areas Selected For Investigation

Maryland is an excellent State in which to investigate the effects of a use-value assessment law for a number of reasons. For example, Maryland has more actual experience with use-value assessment than any other State. Also, the assessment organization of the State is centralized, at least to the extent that the State Department of Assessments and Taxation hires (and has the power to dismiss) the Supervisor of Assessments in each county. Moreover, this department sets and maintains assessment standards and controls assessment policy throughout the State. 5/ Centralization of assessment policy probably insures a more uniform application of the use-value assessment law than would be expected in a State where each locality determines its own assessment policy or where the adoption of use-value assessment is at the discretion of the locality. Finally, the State of Maryland contains two large metropolitan areas. Consequently, certain effects of use-value assessment can be compared and contrasted between these areas.

The counties included in the present study were Baltimore, Anne Arundel, Harford, Carroll, and Howard in the Baltimore area, and Montgomery, Prince Georges, and Frederick in the Washington, D. C., area. The data on assessment levels for the tax year 1965, and sales prices for calendar years 1963-65, were collected for the election districts in each of these eight counties.

For purposes of this study, any unit which was granted a use-value assessment was considered to be a farm. Data on acreages, assessments, and sales prices were obtained from county offices in each county studied.

Purpose of Study

In a 1960 study 6/ the author investigated the fiscal effects of a differential or use-value assessment policy in Maryland. 7/ In this study, five counties were chosen for investigation (Montgomery, Prince Georges, Baltimore, Howard, and Carroll), and a random 10 percent sample was taken of the farmland properties in each of these counties. The results of the study indicated that there were tangible tax benefits accruing to the owners of land in agricultural use. The actual extent of these benefits varied widely, but even in the more rural areas, it appeared that owners of land in agricultural use could gain substantial savings from the substitution of use-value assessment for an ad valorem tax levy.

5/ Wagner, Paul W., County Government Across the Nation. Univ. of North Carolina, Chapel Hill, N. C., 1950, p. 30.

6/ House, Peter W., Preferential Assessment of Farmland in the Rural-Urban Fringe of Maryland. U. S. Dept. Agr., Econ. Res. Serv., ERS-8, 1961.

7/ The terms differential assessment and use-value assessment refer to the same assessment policy and are used interchangeably in this report.

The present study is an updating of the earlier one, with a number of significant changes. First, the original study included only five counties; the present one examines a total of seven counties in the Baltimore and Washington, D. C. Standard Metropolitan Statistical Areas. An eighth, Frederick County, was included as part of the Washington metropolitan area. Many suburbanites who work in Washington live in this county and the effect of the suburban land market was reported to have extended as far as Frederick County. Second, the original study sampled only 10 percent of the farms in the five counties; the present one is a complete enumeration of all of the farmland in the two metropolitan areas. Finally, and of most importance, at the time of the original study no data were available on the sales of farmland in each of the election districts. Consequently, the market value of the sampled farms had to be estimated by the local assessor. The data on the sales of farmland are now available. Hence, the actual farmland sales in each election district in the eight-county study area were used as a basis for estimating market value of farmland.

THE MARYLAND USE-VALUE ASSESSMENT LAW

In 1956, the Maryland Legislature, reflecting a concern for the future of open space in the State, particularly farmland, enacted a law which required assessment of farmland on the basis of agricultural use alone, regardless of the influence other factors might have on total value. As originally enacted (over the Governor's veto), the law provided that:

> ...Lands which are actively devoted to farm or agricultural use will be assessed on the basis of such use, and shall not be assessed as if subdivided or on any other basis. [8]

The 1957 session of the General Assembly repealed and reenacted this section, adding criteria defining "lands which are actively devoted to farm or agricultural use." [9] This law became effective on June 1, 1957, as section 19 (b) of article 81 of the Maryland Code (1957):

> (b) Farm or agricultural use--Lands which are actually devoted to farm or agricultural use shall be assessed on the basis of such use, and shall not be assessed as if subdivided or on any other basis. The State Tax Commission shall have the power to establish criteria for the purposes of determining whether lands subject to assessment under this sub-section are actively devoted to farm or agricultural use by the adoption of rules and regulations. Such criteria shall include, but shall not be limited to, the following:
>
> 1. Zoning applicable to the land.
>
> 2. Present and past use of the land including land under the soil bank provisions of the Agricultural Stabilization Act of the United States Government.

---

[8] Maryland Laws, Ch. 9, sec. 8, 1956.
[9] Maryland Laws, Ch. 689, 1957.

3. Productivity of the land including timberlands and lands used for reforestation.

4. The ratio of farm or agricultural use as against other uses of land.

On January 19, 1960, the court of appeals, in the case of State Tax Commission v. Gales, 10/ ruled the statute unconstitutional, holding that it was unreasonable and served no public interest, and that it operated to give the owners of farmland in some areas a tax advantage over their neighbors.

A month after this opinion was handed down, a motion for reargument was granted and the original opinion withdrawn. On reargument, the decision was reaffirmed on June 13, 1960, but on slightly different grounds. 11/ The majority again held the law unconstitutional, but on the ground that the law represented an invalid attempt to classify land for tax purposes. 12/

On March 23, 1960, the Maryland General Assembly adopted three items of legislation. One repealed and reenacted, with amendments, section 19 (b) of article 81. 13/ The other two were proposed amendments to the State constitution, designed to overcome the defects cited in the court's ruling. 14/ This legislation is the basis for use-value assessment in Maryland at the present time.

> AN ACT to repeal and re-enact, with amendments, Section 19 (b) of Article 81 of the Annotated Code of Maryland (1957 Edition), title "Revenue and Taxes", sub-title "Method of Assessment", relating to the assessment of property used for farming or agriculture.
>
> Section 1, Be it enacted by the General Assembly of Maryland. That Section 19 (b) of Article 81 of the Annotated Code of Maryland (1957 Edition), title "Revenue and Taxes", sub-title "Method of Assessment", be and it is hereby repealed and re-enacted, with amendments, to read as follows:
>
> 19.
>
> (b) Farm or agricultural use.--Lands which are actively devoted to farm or agricultural use shall be assessed on the basis of such use, and shall not be assessed as if subdivided, it being the intent of the General Assembly that the assessment of farm land shall be maintained at

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10/ 157 A. 2d 420. Withdrawn by order of the court. Decision published in Baltimore Daily Record, Feb. 9, 1960.

11/ State Tax Commission v. Wakefield (161 A. 2d 676).

12/ 161 A. 2d. at 686.

13/ Maryland Laws of 1960, Ch. 52.

14/ Maryland Laws of 1960, Ch. 64 and 65.

levels compatible with the continued use of such land for farming and shall not be adversely affected by neighboring land uses of a more intensive nature. The General Assembly hereby declares it to be in the general public interest that farming be fostered and encouraged in order to maintain a readily available source of food and dairy products close to the metropolitan area of the State, to encourage the preservation of open space as an amenity necessary to human welfare and happiness, and to prevent the forced conversion of such open space to more intensive uses as a result of economic pressures caused by the assessment of land at a rate or level incompatible with the practical use of such land for farming. The State Department of Assessments and Taxation shall establish criteria for the purpose of determining whether lands which appear to be actively devoted to farm or agricultural use are in fact bona fide farms and qualify for assessment under this subsection. Such criteria shall be promulgated in rules and regulations which shall include, but shall not be limited to, the following:

(1) Zoning applicable to the land.

(2) Present and past use of the land.

(3) Productivity of the land.

(4) The ratio of farm or agricultural use as against other uses of the land.

Section 2. And be it further enacted, That this Act shall take effect June 1, 1960.

Approved March 23, 1960.

The two constitutional amendments were as follows:

AN ACT to propose an amendment of Article 15 of the Declaration of Rights of the Constitution of the State of Maryland, granting the General Assembly the power to provide for the separate assessment, classification and sub-classification of land, improvements on land and personal property, and requiring that all taxes levied shall be uniform as to each class or sub-class of land, improvements on land, and personal property.

AN ACT to propose an amendment to Article 43 of the Declaration of Rights of the Constitution of the State of Maryland, granting authorization to the General Assembly to provide that land actively devoted to farm or agricultual use shall be assessed on the basis of such use and shall not be assessed as if subdivided and submitting this amendment to the qualified voters of the state for adoption or rejection.

Approved March 23, 1960

These amendments were approved by the electorate in the 1960 general election, the first by a vote of 315,710 for and 136,658 against, and the second by a vote of 334,888 for and 123,636 against.

Pursuant to the authority granted by chapter 52 of the Laws of 1960, the State Department of Assessments and Taxation compiled and issued to counties a list of 29 criteria to be considered in assessing farmland:

PROPOSED FARM CRITERIA

In determining whether lands which appear to be actively devoted to farm or agricultural use are in fact bona fide farms and qualify for assessment under Chapter 52 of the Acts of 1960, the following criteria shall be considered:

1. Zoning applicable to the land.
2. Applications for, and grants of, zoning reclassification in the area.
3. General character of the neighborhood.
4. Use of adjacent properties.
5. Proximity of subject property to metropolitan area and services.
6. Submission of subdivision plan for subject or adjacent property.
7. Present and past use of the land.
8. Business activity of owner on and off the subject property.
9. Principal domicile of owner and family.
10. Date of acquisition.
11. Purchase price.
12. Whether farming operation is conducted by the owner or by another for the owner.
13. If conducted by another for the owner, the provisions of the arrangement, written or oral, including, but not limited to, the term, area let, consideration and provisions for termination.

14. Farming experience of owner or person conducting farming operations for the owner.

15. Participation in governmental or private agricultural programs or activities.

16. Productivity of the land.

17. Acreage of crop land.

18. Acreage of other lands (wooded, idle).

19. Number of livestock or poultry (by type).

20. Acreage of each crop planted.

21. Amount of fertilizer and lime used.

22. Amount of last harvest of each crop.

23. Gross sales last year from crops, livestock and livestock products.

24. Amount of feed purchased last year.

25. Months of hired labor.

26. Uses, other than farming operation, of the land.

27. Ratio of farm or agricultural use as against other uses of land, by area and/or by sales.

28. Inventory of buildings, and condition of same.

29. Inventory of machinery and equipment and condition of same. 15/

15/ Maryland Department of Assessments and Taxation, Reg. No. 9.

NUMBER OF ACRES GRANTED USE-VALUE ASSESSMENT

Generally, the land nearest a central city, because of its accessibility, is in the greatest demand for urban or suburban development. With numerous specific exceptions, city growth trends to proceed from high densities in or near the central city to progressively lower densities with increased distance from the city center. Consequently, the amount of land in urban and suburban uses would be expected to decrease with the distance from the central city.

This expectation was borne out in the study areas. Throughout the Baltimore and Washington areas, the farther the election district was situated from the central cities of Washington, D. C., Baltimore, and Frederick, the greater the proportion of the land area in farming use. 16/ In the election districts adjacent to the cities of Washington and Baltimore, there were usually no farms at all, whereas in the more remote districts, often 90 percent or more of the land received use-value assessment (fig. 1).

EFFECTS OF USE-VALUE ASSESSMENT ON THE ASSESSED VALUATION OF FARMLAND

Use-value assessment affects the farmer's tax bill by lowering his assessment. Hence, the first step in analyzing the effects of this legislation must be to determine its effects on the assessed value of farmland. This section presents, first, the data on assessed valuations of farmland. Second, sales price data for farmland which was sold during a 3-year period are presented. The third step is to combine these two groups of data to estimate an assessment-to-sales ratio. This ratio shows the percentage of full market value at which properties were assessed, and is used in succeeding sections to estimate the cost of use-value assessment.

Assessed Value Per Acre

The use-value assessment law pertains only to land and excludes structures and improvements on the land. The effect of limiting the law to land is of interest, and some data are given in this report on assessed value of land alone. In actual practice, the figure for the value of the land alone is merely a residual, derived in one of several ways. For example, structures on a particular parcel of property can be valued on the basis of replacement cost. The value of the total farm can be derived from the sale of comparable properties in the area or from the capitalization of the net farm income. The value of the land is then calculated by subtracting the replacement cost value from one of these total value figures. A complication is that, in some areas of Maryland, there have been no sales of farmland to farmers for years at prices which did not reflect the impact of urban growth. The agricultural values presently

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16/ In some instances, the amount of land in farms is related to factors other than suburbanization; for example, the soil capability is poorer in the northern half of Frederick County than in Carroll or Montgomery Counties. This explains the lower percentages of farmland in these election districts because the land which is not in farmland or residential use is woodland or wasteland.

Election Districts, Selected Counties in Maryland, 1965

PERCENTAGE OF TOTAL LAND AREA GRANTED USE-VALUE ASSESSMENT

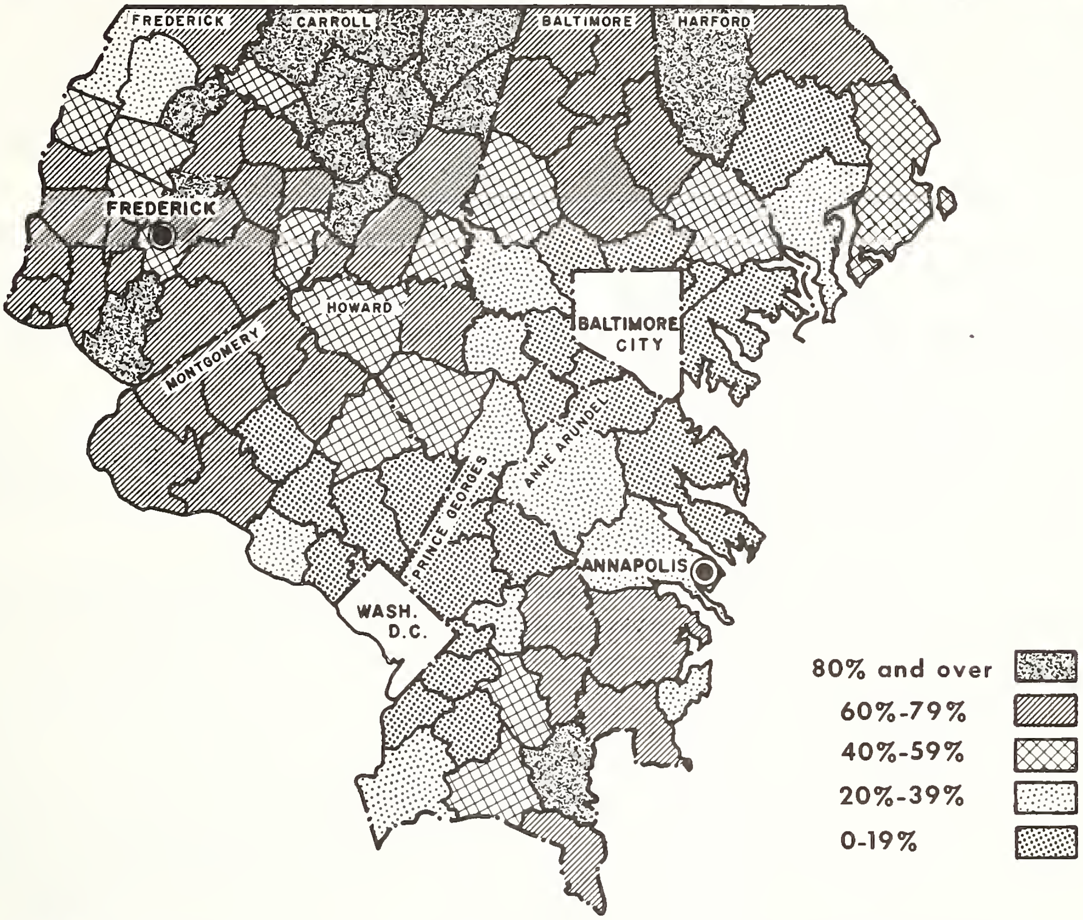

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Figure 1

placed on properties in these areas must often be based on the experience of the assessor. For this reason the major portion of the anlysis in this report uses the data for total assessed value of the farm (including structures and improvements) and measures it against the sale price to avoid compounding the problem of allocating a portion of value (in this case, sale value) to land alone.

In the Baltimore area in 1965, the average assessed value per acre of land granted a use-value assessment was $83. If improvements are taken into consideration, the average assessed value per acre of such land was $179. In the Washington, D. C., area, the averages were somewhat lower--$78 for land alone, and $159 for land and improvements. On the whole, however, average assessed values in the two areas were quite similar.

The ranges of assessed values within these two areas differed widely. In the Baltimore area, average assessed values per acre for land alone ranged from $68 in Anne Arundel County to $103 in Howard County. Assessed values per acre for land and improvements were similarly scattered, with Anne Arundel again having the low of $158 and Baltimore County the high, $223.

In the Washington area, the range for land was quite small--from $70 per acre in Montgomery and Prince Georges Counties to $87 per acre in Frederick County. The total assessed values per acre were also almost equal throughout the area, ranging from $151 to $163 per acre (table 1).

Table 1.--Average value per acre of farmland assessed on use-value basis, land alone and with improvements, metropolitan areas, Maryland, by selected counties, 1965.

County	Value per acre: Excluding improvements	Value per acre: Land including improvements	Total acreage assessed as farmland
	Dollars		Acres
Baltimore metro. area			
Baltimore	99	223	171,918
Anne Arundel	68	158	97,812
Harford	74	180	146,739
Carroll	79	144	236,989
Howard	103	213	69,840
Average, 5-county area	83	179	723,298
Washington, D.C. metro. area			
Montgomery	70	156	154,437
Prince Georges	70	151	112,731
Frederick	87	163	274,453
Average, 3-county area	78	159	541,621

At the election district level, when either the assessed value per acre of land alone or of land and buildings was examined, there was a clear tendency for the assessed value per acre to decrease with the distance of the properties from the central cities of Washington, D. C., Baltimore, and Frederick. For example, if the election districts surrounding the city of Baltimore are grouped on the basis of their distance from the central city, the contiguous election districts which are nearest the central city being in the first group, the next election districts from the city being in the second group, and so forth, the average assessed value per acre of land and improvements of properties in the districts in the first (those nearest the central city) group was $302. The average assessed value per acre of farms in the second group around Baltimore was $219: in the third, $174; in the fourth, $150; in the fifth, $132; and finally, the districts located most distant from the city of Baltimore, in the sixth group averaged $128 per acre.

The gradient described by the average assessed value per acre of land and improvements and the distance from the city of Washington, D. C., was not as precise. This was because the city of Frederick tended to distort the pattern. Generally, the assessed value per acre of land and improvements in each group of election districts decreased with the distance from Washington, until about the fifth group, where the assessed value began to rise again. In the eighth group, the assessed value per acre again dropped. The city of Frederick is in a district in the sixth group (figs. 2 and 3).

In theory, if land capabilities are uniform throughout the area, use-value assessment should produce uniform assessments of farmland throughout the region. In fact, as we have just stated, assessed values per acre of land in farms vary widely, depending largely upon the distance the farm lies from the city. A partial explanation for this variation apparently can be found in the "home site" assessment.

In 1962, the assessors of the State of Maryland were instructed by the State Department of Assessments and Taxation to include an additional classification of land acreage, "home sites," [17] to the customary list of tillable land, pasture, timber, and so forth, used by Maryland assessors when they appraise the land components of a farm site. This practice was initiated to help pinpoint the value of farmland more precisely than in the past. The instructions did not suggest a value for this land and noted that the home site may, in fact, be worth less than the adjoining land. It was stated in the instructions, however, that the home site would usually be found to be substantially more valuable than the adjoining land. The instructions were as follows:

> As an aid or reminder, some of the factors which add value to the "home site" over and above the other lands are:
>
> 1. A more intensive use;
>
> 2. Home income possibilities;

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[17] The term "home site" refers to the farmer's home and the surrounding land.

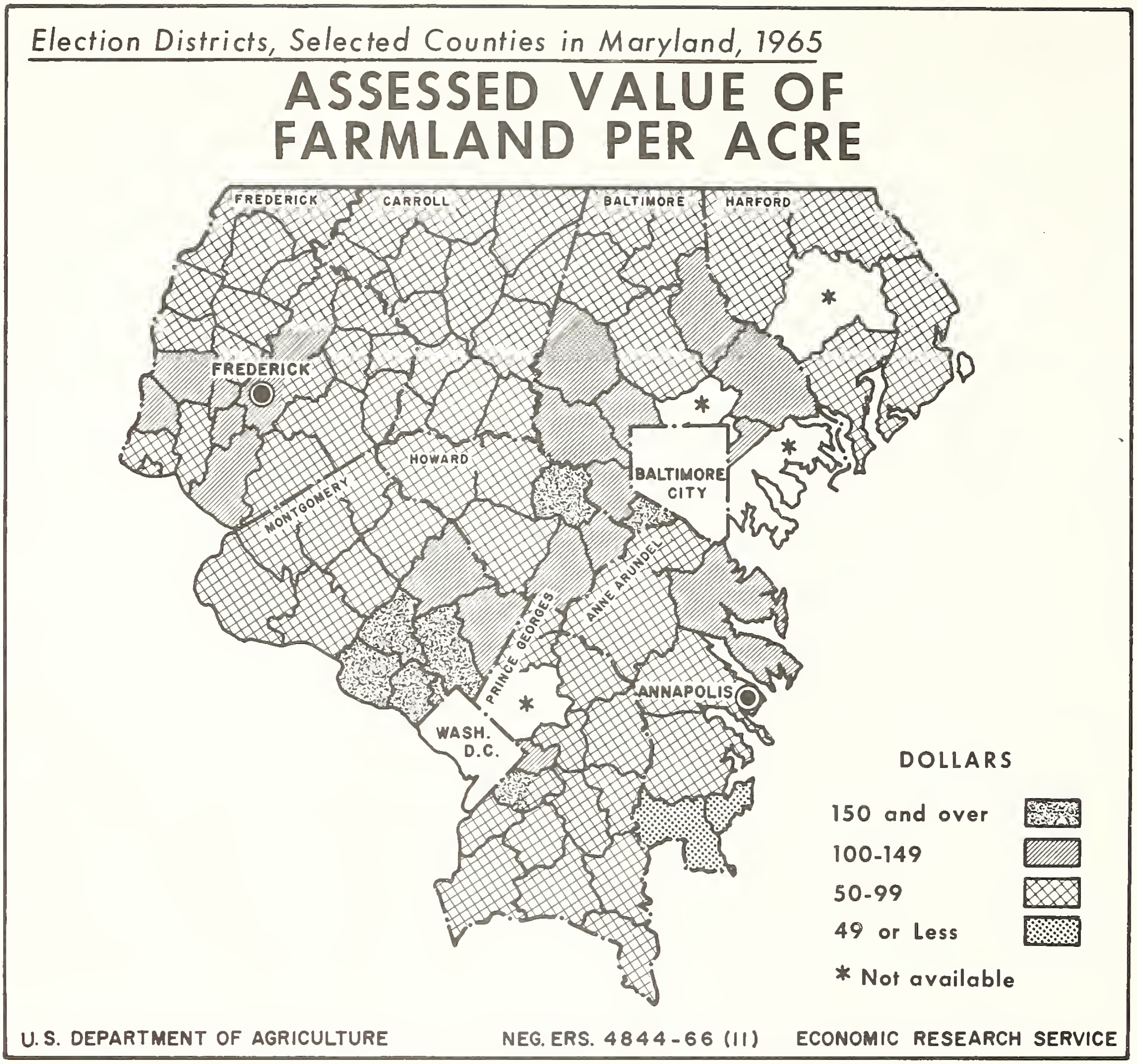
Election Districts, Selected Counties in Maryland, 1965
ASSESSED VALUE OF FARMLAND PER ACRE
FREDERICK
CARROLL
BALTIMORE
HARFORD
FREDERICK
HOWARD
MONTGOMERY
BALTIMORE CITY
ANNE ARUNDEL
PRINCE GEORGES
WASH. D.C.
ANNAPOLIS
DOLLARS
150 and over
100-149
50-99
49 or Less
* Not available
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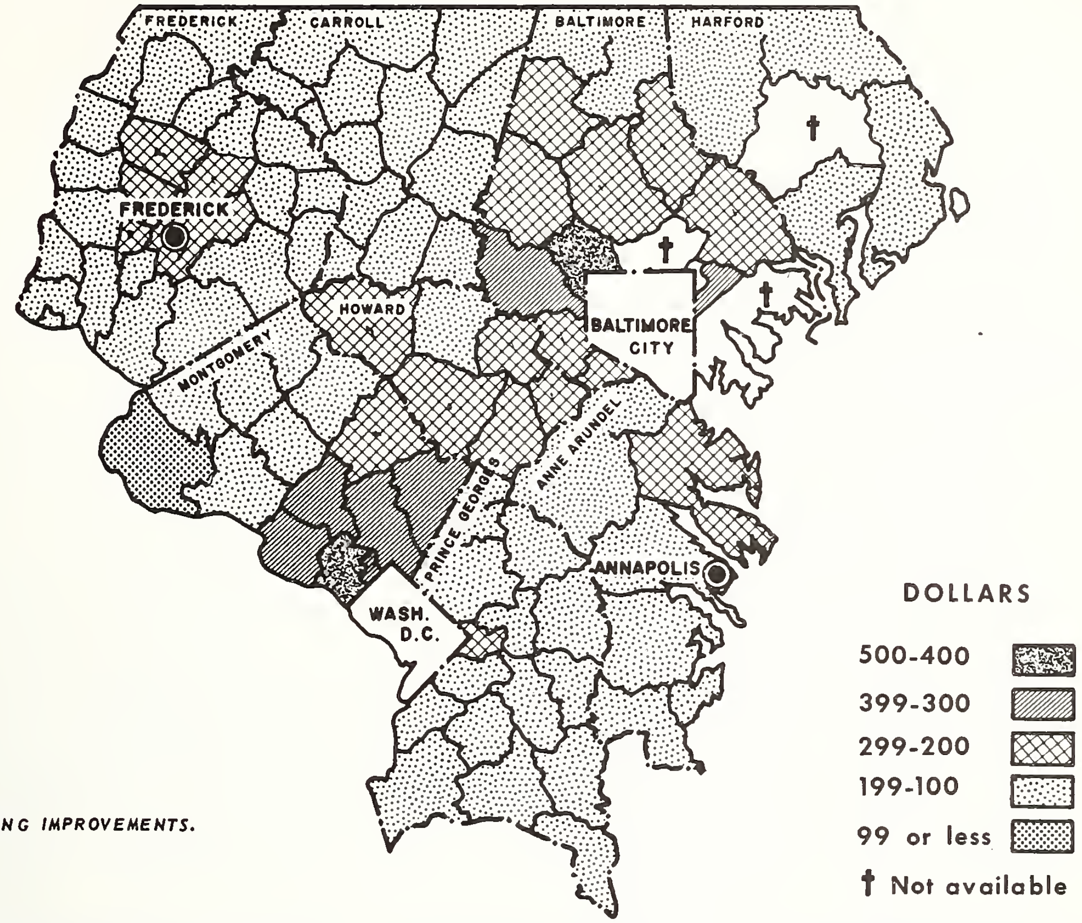
Figure 2

Election Districts, Selected Counties in Maryland, 1965

TOTAL ASSESSED VALUE*
PER ACRE OF FARMLAND



*INCLUDING IMPROVEMENTS.

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Figure 3

3. Additional improvements not available on the tilled unused land, such as:

    a. Landscaping and shrubbery;
    b. Driveways, paved or unpaved;
    c. Walkways;
    d. Telephone and electrical utilities (power line poles for rural residential services currently cost an average of $80 each);
    e. Private sewerage septic system;
    f. Private water supplies.

> The amount of value applied to "home site" should be determined in the same manner as the rates applied to the other classes of land, namely tillable, pasture, woodland, etc., so that the assessment of this type of property is at a uniform level with other properties in the jurisdiction. The amount of land allocated as a "home site" should be consistent with that actually used for the home site purpose. In the case of farms, it is not considered that utility buildings, barns or other farm buildings should be included in the "home site". Estate type properties with large, spacious, well-maintained lawns also must be so classified, and the rate or rates per acre should be such that that a satisfactory ratio will result." 18/

Apparently, the home site often includes more than just the main house and may include the tenant house. The assessment of the home site is made on a market value, not use-value, basis. The amount of land included in the home site (as well as the assessed value per acre of this land) seemed to vary widely, perhaps reflecting variations in the amount of land used for home site purposes on each farm. In many properties, less than 1 acre was classified as home site. while in others it was considerably more. One farm, for example, had 14 out of 44 acres assessed as "home site". The assessed value per acre on this "home site" was in excess of $5,000 per acre for the land alone. This raised the assessed value per acre for the whole farm to more than $1,000 per acre. The highest assessed value per acre that was placed on tillable farmland in this county was $125.

Sale Price Per Acre

Regardless of the type of property being considered, the final measure of value is the value established by the market. In an area of rapidly changing land use, this measure is reputed to be somewhat less reliable than in other areas, Furthermore, if use-value assessment were to seriously restrict the supply of land offered for sale, it would, in itself, affect sale prices.

18/ Letter to all Supervisors of Assessments for the State Department of Assessments and Taxation, August 1962.

Consequently, sales data--even on all the sales in an area--must be regarded as imprecise indicators of market values. However, at present, no better method of estimating land value is available. Sales data were screened to determine--and eliminate--sales which were unusually high or unusually low, partial sales, and all other nonrepresentative sales. 19/ This process, we believe, has produced an average sale price which is a useful approximation of what the average parcel of land will bring in a particular area.

The average market price per acre for land granted a use-value assessment was computed from the actual sales of such land in each of the election districts in the eight counties. To help insure that there would be an adequate number of sales in each election district for statistical reliability, and to attempt to mitigate the effect of any nonrepresentative sales missed in the screening process, the average sale price per acre for the years 1963 through 1965 20/ was computed. 21/

In the Baltimore area, over 85,000 acres of land granted use-value assessment were sold during the period 1963-65 at an average price per acre of $660. In the Washington, D. C. area, over 105,000 acres were sold for an average of $950 per acre during this same period.

Generally speaking, the sale price per acre was lower as distance increased from the central cities of Baltimore and Washington, D. C. (table 2).

Table 2.--Average sale price per acre of farmland, and acreage sold, Maryland metropolitan areas, by selected counties, 1963-65.

County	Average sale price per acre	Number of acres sold
	Dollars	Acres
Baltimore metropolitan area		
Baltimore	$ 573	3,779
Anne Arundel	791	13,704
Harford	501	15,577
Carroll	390	29,053
Howard	1,033	23,690
Average, 5-county area	660	85,803
Washington metropolitan area		
Montgomery	1,463	35,816
Prince Georges	1,689	15,654
Frederick	398	54,185
Average, 3-county area	950	105,655

19/ A nonrepresentative sale is one in which the selling price is higher or lower than a willing buyer (one who was not forced to buy) would pay, and a willing seller (one who was not forced to sell) would take, for a parcel of property.

20/ The sale price per acre for farmland throughout the study area tended to increase in the 1963 to 1965 period. This means that the amount of subsidy granted the farmland owner in 1965 was at least as great as reported here, and, in many cases, was actually higher.

21/ Despite the use of this averaging process, too few sales were available in seven districts. (See appendix, table 9). Sales prices for these districts are shown in figure 4 for informational purposes, but they were omitted from all subsequent computations.

In one election district adjacent to the city of Baltimore, land was selling for an average of $3,000 or more per acre. There were no districts with sales in the $2,000 to $3,000 range. 22/ In the Washington area, six of the districts in Prince Georges County, and one in Montgomery near Washington, D.C., had sales of land with prices averaging over $3,000 per acre. Eight other districts in the Washington area had average sales prices per acre of farmland greater than $2,000 per acre. In fact, farmland around Washington, D. C., was the most expensive in Maryland, with all of the adjoining election districts having average sales prices of at least $2,000 per acre. (See appendix, table 9.)

The market value per acre tended to decrease, as the distance from the central cities of Washington and Baltimore increased, to a low of $213 in one district in Frederick County. None of the land granted use-value assessment in the eight-county study area sold for less, on the average, than $200 per acre (fig. 4).

In the earlier study of the Maryland use-value assessment law (see footnote 6, p. 4), it was found that the financial benefits of use-value assessment to the farmland owners were inversely related to the distances their farms were situated from the central city. The present study reinforced this finding.

Assessment-To-Sales Ratio

An assessment-to-sales ratio is an attempt to measure the average percentage of market value at which local assessors are valuing properties. Methods for calculating the ratio vary from simple ones, such as the ratio of all sales to all assessments in an area, to more sophisticated ones which stratify the assessments in an area by property types and calculate a coefficient of variation for the resulting ratio. In this study, the assessment-to-sales ratio was calculated by (1) multiplying the average sale price of an acre of farmland (land receiving use-value assessment) in each election district by the number of acres of farmland in that district, and summing for all districts in the county, and (2) dividing the resulting total into a similarly constructed figure for the total assessed value of farmland in the county. This resulted in an average ratio for the county which was weighted by the acreage of farmland in each election district in the county (table 3). This ratio was used to estimate the tax base the county would have had if farmland had been assessed at the customary percentage of market value.

Throughout Montgomery and Prince Georges Counties and in northern Anne Arundel County, the assessment-to-sales ratio was less than 20 percent. In Howard County, in all but two of the most northern districts of Carroll County, in the northern and western districts of Baltimore County, and in the districts surrounding the city of Frederick, the assessment-to-sales ratio was between 20

22/ Land to the north and east of Baltimore does not seem to be selling for prices as high as those to the south and west of the city. This suggests that part of the influence on land prices in the south and west areas is the bidding up of land values by commuters from the Washington, D. C. labor market.

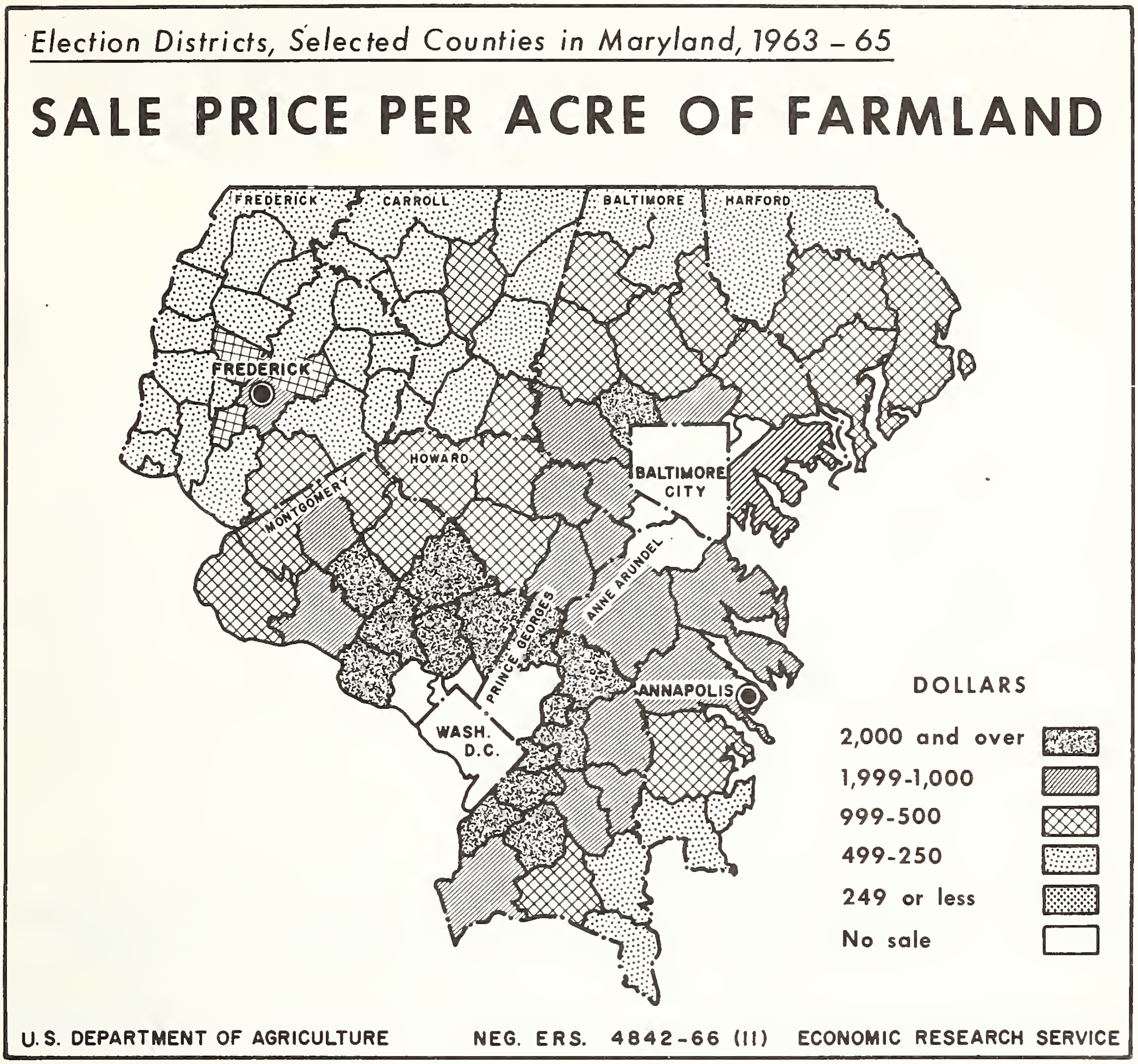
Election Districts, Selected Counties in Maryland, 1963 – 65
SALE PRICE PER ACRE OF FARMLAND
FREDERICK
CARROLL
BALTIMORE
HARFORD
FREDERICK
HOWARD
MONTGOMERY
BALTIMORE CITY
ANNE ARUNDEL
PRINCE GEORGES
ANNAPOLIS
WASH. D.C.
DOLLARS
2,000 and over
1,999-1,000
999-500
499-250
249 or less
No sale
U.S. DEPARTMENT OF AGRICULTURE
NEG. ERS. 4842-66 (11)
ECONOMIC RESEARCH SERVICE

Figure 4

and 40 percent. As the distance from the central cities increased, the ratio also tended to increase, until in two districts in Frederick County the ratio for farm property was between 60 and 70 percent (fig. 5). According to the 1965 report of the State Department of Assessments and Taxation, the average assessment ratio for all properties, including agricultural, throughout the study area was about 50 percent. 23/

Table 3.--Assessment-to-sales ratio of farm property compared with all real property, selected counties, Maryland, 1965.

County	Sale price per acre of farm property 1/	Assessment-to-sales ratio	
		Farm property	All property
	Dollars	Percent	Percent
Montgomery	1,463	12	53.4
Prince Georges	1,689	12	53.2
Frederick	398	43	50.7
Baltimore	573	42	55.9
Anne Arundel	791	21	52.3
Carroll	390	36	51.1
Harford	501	35	53.9
Howard	1,033	23	56.1

1/ Weighted by the number of acres assessed as farmland in each election district.

The assessment-to-sales ratio of farmland found in the present study suggested a greater range than was found in the 1960 study. The range extends from farm owners in some election districts receiving substantial benefits (assessment-to-sales ratios of around 10 percent) to owners in other districts receiving no benefit at all. In fact, it appears that farmland in some of the districts located farther from the central city may be assessed at higher percentages of market value than other types of property. In some cases, these assessment ratios are even higher than the statewide target ratio of 60 percent. 24/

23/ The department has instructed its assessors to practice a policy of aiming for a ratio of about 60 percent when reassessing properties which have been sold, or when assessing new properties.

24/ The assessment-to-sales ratios presented here are estimates and, as such, are subject to possible error. Furthermore, it is common for researchers to find that farmland located outside the influence of a central city is overassessed in relation to other types of property.

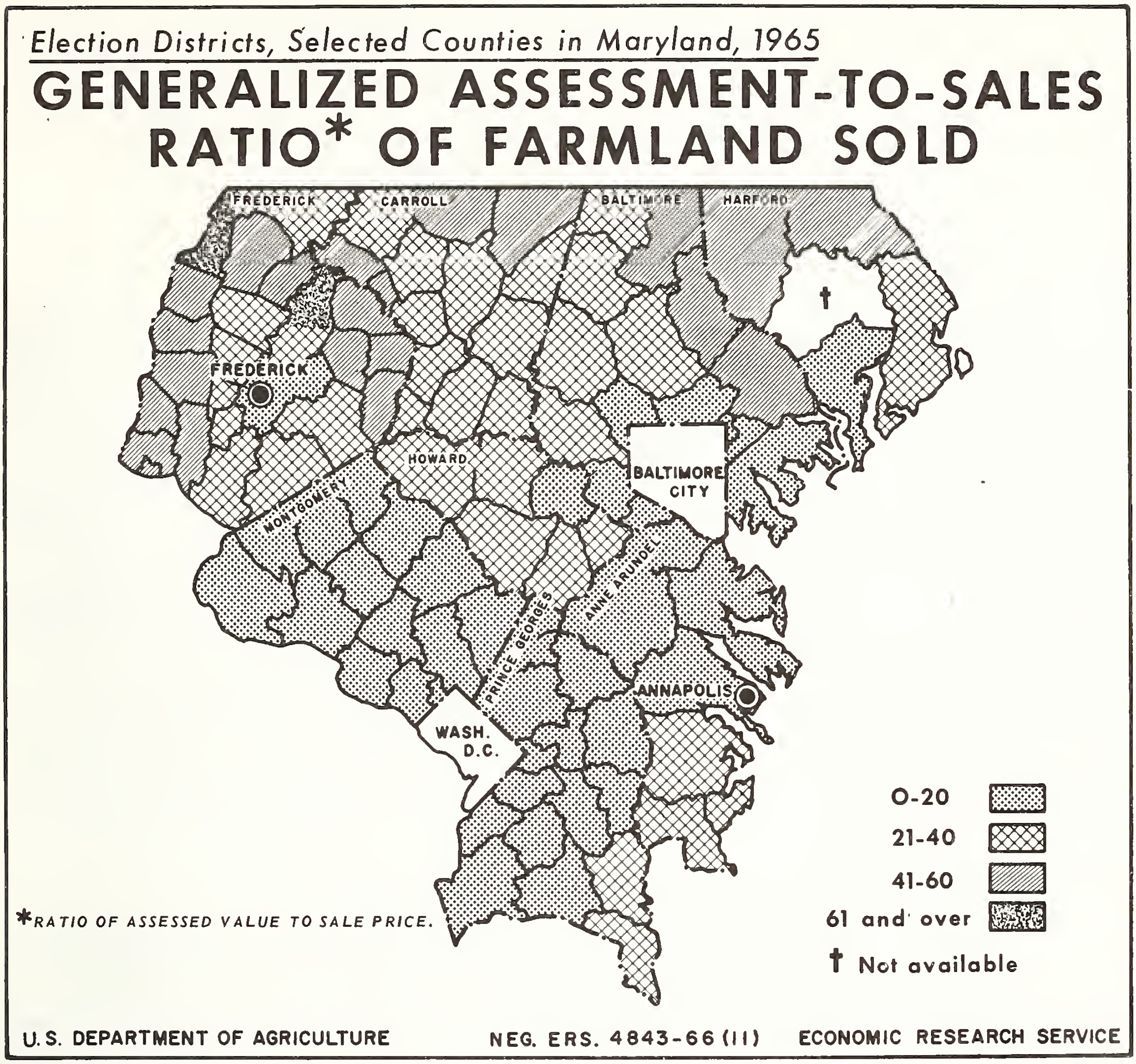
Election Districts, Selected Counties in Maryland, 1965
GENERALIZED ASSESSMENT-TO-SALES RATIO* OF FARMLAND SOLD
FREDERICK
CARROLL
BALTIMORE
HARFORD
FREDERICK
HOWARD
MONTGOMERY
BALTIMORE CITY
ANNE ARUNDEL
PRINCE GEORGES
ANNAPOLIS
WASH. D.C.
†
0-20
21-40
41-60
61 and over
† Not available
*RATIO OF ASSESSED VALUE TO SALE PRICE.
U. S. DEPARTMENT OF AGRICULTURE
NEG. ERS. 4843-66 (11)
ECONOMIC RESEARCH SERVICE

Figure 5

THE COST OF USE-VALUE ASSESSMENT

The cost of use-value assessment can be expressed in at least two ways: first, the cost to the county in terms of lost tax base; and second, the cost to the taxpayer not receiving a use-value assessment in terms of a higher tax rate.

The Cost to the County

Loss in Tax Base

In this study, the average assessment-to-sales ratios for all property and the total tax base for each county were obtained from secondary sources. These were used, in conjunction with calculated assessment-to-sales ratios for farmland, to estimate the loss in tax base due to the granting of a use-value assessment to farmland owners. If farmland in the area had been assessed at the same percentage of market value as other properties in the individual counties, it is estimated that the gains in tax base in 1965 would have ranged from about $13 million in Baltimore County to about $83 million in Montgomery County. This loss in tax base is one measure of the cost of preferential assessment. The counties of Montgomery and Prince Georges in the Washington area probably have experienced the greatest absolute losses in tax base due to use-value assessment of farmland (table 4). In relative terms (loss in tax base as a percentage of total tax base in the county), the variation in loss in tax base appears to be greater in the Baltimore area. In the Washington area, the revenue loss is estimated to have been around 4.5 percent in each of the three counties of Montgomery, Prince Georges, and Frederick. In the Baltimore area, the range was greater, from 0.7 percent in Baltimore County to 12.8 percent in Howard County.

Loss in County and School Tax Revenues

Almost all of the farmland in the eight counties studied is located in areas where the only taxes imposed on the property are county and school levies. Using the 1965 county and school tax rates, and assuming that the tax rates would not have changed if the farmland in each of the counties had been assessed at the same percentage of market value as other land in the county, the revenue loss attributable to use-value assessment is estimated to range from $2,343,000 in Montgomery County to about $172,000 in Frederick County (table 5).

The Cost to the Nonfarm Owner

Another way of expressing the cost of use-value assessment is in terms of the extent to which the property tax rate could be lowered and still produce the same total revenue, if use-value assessment were removed. In the absense of use-value assessment in 1965, the real property tax rate (county and school) could have been $0.11 lower in Anne Arundel, $0.02 lower in Baltimore, $0.14 lower in Harford, $0.19 lower in Carroll, $0.27 lower in Howard, $0.13 lower in Montgomery, $0.13 lower in Prince Georges, and $0.09 lower in Frederick County. The possible difference in rates is surprisingly consistent in five of the

Table 4.--Estimated loss in real property tax base due to use-value assessment of farmland, and loss as percentage of actual tax base, selected counties, Maryland 1965

County	Actual tax base (with use-value assessment)	Estimated tax base (without use-value assessment)	Loss in tax base due to use-value assessment	Percentage of actual tax base
	---1,000 dollars---			-Percent-
Baltimore	1,718,093	1,730,789	12,696	0.7
Anne Arundel	558,597	581,668	23,071	4.1
Harford	204,323	219,264	14,941	7.3
Carroll	135,614	149,940	14,326	10.6
Howard	166,855	188,292	21,437	12.8
Montgomery	1,727,291	1,810,662	83,371	4.8
Prince Georges	1,228,190	1,287,095	58,905	4.8
Frederick	184,638	192,671	8,033	4.4

Table 5.--Total school and county tax revenue derived from use-value assessment of farmland, compared with market value assessment, and estimated revenue lost, selected counties, Maryland, 1965.

County	Total school and county tax revenue collected 1/		Revenue lost	
	Actual tax (with use-value assessment)	Estimated tax (with market value assessment)	Total	Per acre of farmland
	1,000 dollars	1,000 dollars	1,000 dollars	Dollars
Baltimore	54,464	54,866	402	2.30
Anne Arundel	15,808	16,461	653	6.70
Harford	4,086	4,385	299	2.00
Carroll	2,712	2,999	287	1.20
Howard	3,921	4,425	504	7.20
Montgomery	48,537	50,880	2,343	15.20
Prince Georges	34,267	35,910	1,643	14.60
Frederick	3,951	4,123	172	9.60

1/ 1965 county and school tax rate multiplied by the actual 1965 county tax base. The product is then multiplied by the 1965 county tax base adjusted for farmland value at comparative ad valorem rates of assessment.

eight counties; in these five, the real property tax rate could have been from $0.09 to $0.14 lower per $100 of assessed valuation had there been no use-value assessment of farmland (table 6).

Table 6.--County and school tax rates per $100 of assessed value based on actual use-value assessment of farmland, compared with estimated tax rates needed to produce same total revenue based on market value assessment, selected counties, Maryland, 1965.

County	County and school tax rates 1/	
	With use-value assessment	With market value assessment (estimated)
Baltimore	$3.17	$3.15
Anne Arundel	2.83	2.72
Harford	2.00	1.86
Carroll	2.00	1.81
Howard	2.35	2.08
Montgomery	2.81 2/	2.68
Prince Georges	2.79 2/	2.66
Frederick	2.14	2.05

1/ Per $100 of assessed valuation

2/ Additional taxes for parks, recreation, planning, volunteer fire companies, and storm drainage may be imposed on some of the farms in the more urban areas of the county.

Comparison of Costs With Fee Simple Purchase

If the objectives of differential assessment are considered important by the community, and differential assessment meets these objectives (a question not answered in this study), then differential assessment may be worth the cost outlined above. As in any policy decision, however, alternative approaches should be considered. If the objective is to maintain open space, purchase of land appears to be an alternative method of meeting the objective. This section presents some rough comparisons of the cost of use-value assessment with the cost of fee simple purchase.

In 1965, the granting of use-value assessment to all farmland owners is estimated to have reduced property tax revenues, at 1965 rates, in Montgomery County by $2,343,000. If Montgomery County had spent $2,343,000 in 1965 to acquire farmland in fee simple, it could have purchased (at an estimated average price of $1,500 per acre) over 1,500 acres of farmland, or about 1 percent of the total farmland in the county (table 2). Likewise, each of the other more urban counties could have purchased about 1 percent of the farmland in their respective counties in 1965 with the amount of money they lost in real property taxes due to use-value assessment. The more rural counties, which have a greater area of farmland and correspondingly reduced loss of revenue from use-value assessment, could have purchased only about 0.5 percent of the farmland in 1965 with the revenue lost from granting use-value assessment.

COMPARISON OF FINDINGS WITH FINDINGS OF 1960 STUDY

Assessed Value and Market Value Per Acre

In the 1960 use-value assessment study, farmland properties were sampled in five counties of Maryland. The present study samples the same five counties 5 years later. A comparison of the findings shows that, with the exception of Prince Georges and Baltimore Counties, assessed values per acre have increased. The five-county average of $153 on land and buildings in 1960 rose to $172 in 1965. The estimated average assessed value per acre, had market value been used as a basis, increased from an average of $323 an acre in 1960 to $528 in 1965. The estimated market value assessment per acre increased more in some counties than in others. For example, in Montgomery County the 1965 estimate was three times higher than the 1960 estimate. On the other hand, in both Baltimore and Carroll counties, the actual assessed value per acre in 1965 was somewhat lower than the value that would have been predicted on the basis of the 1960 sample of properties (table 7).

Table 7.--Farmland: Average assessed value per acre based on agricultural use, compared with estimated assessed value per acre based on market value, selected counties, Maryland, 1960 and 1965.

County	Based on agricultural use		Based on market value	
	1960	1965	1960	1965
	Dollars			
Montgomery	109	156	196	761
Prince Georges	166	151	592	845
Baltimore	236	223	384	303
Howard	126	213	251	543
Carroll	127	144	191	187
Average, 5 counties	153	172	323	528

Loss in Tax Base

Basically, the same techniques were used in this study and in the 1960 study to estimate the loss in tax base and the change in real property tax rates resulting from the granting of use-value assessment, with one exception. In this study, the potential assessed values per acre are based on weighted average sales prices; in the 1960 study, averages were unweighted.

The 1960 study found a number of election districts where the granting of use-value assessment had no effect whatsoever on the assessed values per acre. By 1965, assessed values per acre were lower than they would have been without use-value assessment in all of the districts which had been studied in 1960.

The estimated percentage of total tax base lost in 1965 is much larger than the loss estimated for 1960. Montgomery County was estimated to have lost 1 percent of its tax base because of use-value assessment in 1960; the estimate for 1965 is 4.8 percent. The 1960 estimate for Howard County was 7.0 percent; it is 12.8 percent for 1965. For Carroll County, the 1960 loss was estimated at 1.4 percent; the estimate for 1965 is 10.6 percent. The difference in Carroll County is explained by an increase in land given use-value assessment, from 29,000 acres in 1960 to 237,000 acres in 1965. 25/ In Howard County, the increase in percentage of tax base lost was largely due to a rapid rise in the value of farmland in the county because of the purchase of land for the proposed new town of Columbia. In Montgomery County, the increase was due to a number of causes, among which were the expansion of suburban development and the inclusion of more land under the use-value assessment provisons.

Table 8.--Estimated taxes per acre of farmland based on use-value assessment and on market value, selected counties, Maryland, 1960 and 1965.

County	Taxes per acre: Based on use-value assessment: 1960	Taxes per acre: Based on use-value assessment: 1965	Taxes per acre: Based on market value: 1960	Taxes per acre: Based on market value: 1965
	Dollars			
Montgomery	2.90	4.40	6.70	19.57
Prince Georges	6.00	4.20	28.30	17.27
Howard	2.50	5.05	5.40	12.23

Real property taxes per acre of farmland in the counties of Montgomery and Howard increased by about the same percentage between 1960 and 1965. If farmland had been assessed on the basis of market value, the increase in Montgomery County would have been slightly greater, largely due to the previously mentioned increase in the estimated average market value per acre. The decrease of taxes per acre in Prince Georges County can be attributed both to an overestimation of the actual average value per acre in 1960 and to a change in assessment policy in the county extending use-value assessment to more land (table 8). 26/

25/ In 1960, many of the election districts in Carroll County still had farmland for sale at farm prices. Consequently, assessment of this land was based on standard ad valorem principles of assessment.

26/ The 1960 study was based on a 10 percent random sample of all of the farms granted a use-value assessment at that time. As is always possible, and apparently is the case here, the sample seems to have been nonrepresentative, with the result that the estimate of the taxes per acre was too high.

In general, the conclusions reached in the two studies are similar, although the 1960 study was more limited in scope. The farms nearest the central cities of Washington and Baltimore are still receiving the greatest financial benefit from use-value assessment. The 1965 study, however, shows the relationship between use-value assessment and distance from the central city more clearly. It also draws attention to the effect of use-value assessment on farmland around Frederick and other small cities. Furthermore, the effect of the use-value assessment law on the local tax base, and on local tax rates, is greater than estimated in the earlier study. Finally, although the more urban counties actually pay more per acre in use-value assessment subsidies to their local farmland owners than do the more rural counties, their costs are about the same (or possibly even less) in terms of increased property tax rates or percentage of tax base lost. This suggests that the actual financial burden borne by owners of nonfarm land is about equal, regardless of where the county lies in a metropolitan area.

STATE EFFORT TO ACHIEVE UNIFORM STANDARDS OF VALUATION

One of the principal findings of the 1960 study was that the State of Maryland had no consistent method of arriving at agricultural value:

> In one county, the assessor's practice was to capitalize the average income per farm and use the resultant figure as the base value for an average farm. In another county, the assessor, with the aid of soil maps, classified land in the county on the basis of fertility and assigned base values accordingly. These values were given predominant weight in determining the assessed value per acre of any agricultural land. Others worked from maximum values based on estimates of what a legitimate farmer could pay for land and still remain in business. These figures were then adjusted to per acre values, taking into consideration such factors as topography, location, fertility, and so on. [27]

In the last few years, the State Department of Assessments and Taxation has taken steps to base the determination of agricultural value on a uniform standard throughout the State. It has become clear to most assessors, particularly in the eight counties studied, that market value can no longer be used for this purpose, even to approximate agricultural value.

In 1965, Caroline County, on the Eastern Shore of Maryland, was selected to be the first county to try a new system of determining agricultural value. The soils of the county were classified according to six capability groupings, using the maps of the Soil Conservation Service. The SCS and the University of Maryland cooperated with the State in dividing the soil types of the county into six categories. These six general categories were traced on a transparent soils map and then overlaid on the assessor's field maps. This overlay permitted the assessor to measure the amount of each type of land in each assessment parcel.

The soil categories were valued on the basis of their productivity over a period of 10 years. All of the land was measured on the basis of potential yield of corn. For example, in the past 10 years type A land (the best) in Caroline County has yielded from 45 to 65 bushels of corn per acre; type B, from 34 to 45; type C, from 20 to 35 bushels; type D, less than 20 bushels per acre, type E is low wet marsh or swampland. The final type is woodland. Assessments based on the soil types in Caroline County range from $90 an acre for type A land to $45 an acre for type D land. The assessment on swampland (type E) is $10 an acre; woodland is assessed at $15 to $45 per acre.

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[27] ERS-8, p. 16. (See footnote 6, p. 4 , for complete citation.)

The values per acre in each of these classes are subject to four adjustment factors based on: (1) the average yield per acre, (2) the type of road on which the tract is located, (3) the nearness to an all-weather road and a trading center, and (4) artificial drainage.

The Caroline County Assessment Office in 1965 published an example of how this assessment policy would be implemented:

> (Sample Farm) 210 acres, 4 miles from Denton on dirt road, 2 miles from an all weather road, with no ditch tax. The breakdown of the farm is (64) acres of (A) soil, 36 acres of (B) soil, 34 acres of (C) soil and 76 acres of woodland, the woodland is second growth hardwood.
>
> The assessment on this farm would be:

10%	dirt road
4%	distance to Denton
2%	all weather road
16%	Total adjustment 28/

(A) soil	-	64 acres	@	$75.6	=	$ 4,840
(B) soil	-	36 acres	@	63.	=	2,270
(C) soil	-	34 acres	@	50.4	=	1,715
Woodland	-	76 acres	@	15.	=	1,140
Total Land Assessment - - - - -						$ 9,965

In theory, the plan is relatively simple and uncomplicated. However, there are a number of problems in actually implementing the plan. First, current SCS soil maps are not available for all of the counties in Maryland and will not be until 1970. Second, it will take a considerable number of man-hours to divide each farm parcel into the six capability classes mentioned above. And, finally, there will be some difficulty in determining the range of agricultural values for the different soil categories in each of the counties in the State.

On the positive side, the plan to value all farmland in the State on the basis of soil types should lead to a basic uniformity of agricultural valuation between counties--a factor which was missing when each of the counties determined its own procedure for arriving at value. The agricultural value for each of these categories would be based on the value of the corn that can be grown on the soil types in these categories in each county. Uniformity, of almost any kind, is preferable to leaving each assessor free to determine agricultural

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28/ Author's note. This adjustment is applied to the basic assessed values ($90 for type A land, etc.) mentioned earlier.

value for himself. Furthermore, a high degree of uniformity would make it easier than at present for the State Department of Assessments and Taxation to maintain standards of agricultural assessment. Finally, it would probably be simpler for the local assessor to explain to a taxpayer how he arrived at the value of a particular farm and to convince the taxpayer that such a value was equitable.

On the negative side, the decision to value all farmland throughout the State on the basis of corn yields ignores some of the economic factors which might help to determine agricultural value. Even excluding transportation costs and managerial decisions, surely climatic conditions and topography could lead to other types of farming which would be more suitable or more profitable than growing corn in a particular county. For example, the counties in southern Maryland raise tobacco. The agricultural value of prime tobacco land is substantially more than the value of the best corn land.

RECENT PROPOSALS FOR CHANGE

Since the time of the 1960 study, the sentiment of some of the Maryland taxpayers, particularly in the more suburban areas, apparently has changed. Some of the former proponents assert that the law apparently no longer provides the best method of preserving open space or maintaining agriculture around Maryland's growing cities. The principal complaint seems to be, as it was in 1960, that there is no way of determining what is a bona fide farm. Many of the suburbanites believe that, in some cases, it is the speculators who are the prime beneficiaries of use-value assessment, not the farmer.

Sentiments such as this are reflected in a bill which was introduced into the 1966 legislative session, but failed to get out of committee. This bill would have allowed counties to recapture some of the subsidy they have granted a farmland owner when he sells his land out of agricultural use. The proposed legislation provided for some basic criteria for determining bona fide agricultural use: 29/

> (1) It being in the public interest to maintain a readily available source of food, dairy, and other farm and agricultural products close to the metropolitan areas of the State, land actively devoted to commercial farm or agricultural use shall be assessed on the basis of such use and, except as otherwise provided in this subsection, shall not be assessed as if subdivided nor on any other basis, so that the assessment of such land shall be maintained at levels compatible with its continued use as farmland. Nothing in this paragraph shall apply to the assessment of lands held by the owner thereof primarily for the purpose of development for any use other than active commercial farm or agricultural use. In determining whether lands which appear to be actively devoted to commercial farm

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29/ Senate bill 252, 1966.

or agricultural use are in fact bona fide farms within the meaning of this paragraph, the following criteria shall be applied:

(i) Zoning applicable to the land at the time of acquisition by the present owner thereof and applications for rezoning of the land by the present owner thereof;

(ii) Present and past use of the land, including participation in governmental agricultural or conservations programs;

(iii) Productivity of the land, including timberlands and lands used for reforestation;

(iv) Purchase price of the land and the date of its acquisition by the present owner;

(v) Ratio of farm or agricultural use as against other uses of the land;

(vi) Annual gross sales of farm or agricultural products produced on the land:

Land is to be assessed at its value in agricultural use under this law and not at its value in any other use:

(2) Whenever any land assessed according to paragraph (1) hereof has an assessable value greater than its assessable value as commercial farm or agricultural land within the meaning of said paragraph, such land also shall be assessed on the basis of such greater value. No taxes shall be due and payable upon such greater assessment except pursuant to the provisions of paragraph (3) hereof.

If the land is sold out of agricultural use, then back taxes are due:

(3) In the event that any land or any portion thereof required to be assessed according to paragraphs (1) and (2) hereof is sold, traded, or because of a change in use or for any other reason is no longer assessable according to paragraph (1) hereof, the unpaid taxes upon the difference between the assessment or assessments made pursuant to paragraph (1) hereof and the assessment of assessments made pursuant to paragraph (2) hereof, for the taxable years included in the shortest of the following time periods, shall immediately become due and payable:

> (i) The period from the beginning of the first taxable year commencing after June 1, 1966, to the end of the taxable year in which any of the contingencies specified in this paragraph occurs;
>
> (ii) The five-year period immediately preceding the end of the taxable year in which any of the contingencies specified in this paragraph occurs...

Another bill, introduced in the Senate 30/ in the 1967 session called for restrictions in the granting of use-value assessment to all lands used in agriculture. 31/ The bill would have excluded from use-value assessment all zoning classifications except single-family and agricultural and conservation zones. The recommendation was also made to exclude all platted lands from use-value assessment.

The bill reads exactly the same as the one reported earlier in this paper, except that the following paragraph has been added:

> (B) Notwithstanding any provision of paragraph (A) of this subsection, lands in order to be assessed as farm or agricultural land under paragraph (A) are zoned only for single family residence use, or for conservation or agricultural useage, and for no other use, but regardless of the applicable zoning, no lands which are subdivided into building lots in any recorded plat may be assessed under paragraph (A) as farm or agricultural land. 32/

The bill did not pass.

30/ Among the backers of this bill was the man who drafted and introduced the original use-value assessment law.

31/ A similar bill, H.B. 782, introduced in the Maryland House, would confine the restrictions to Montgomery County alone.

32/ Senate bill No. 123, 1967.

APPENDIX

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65

WASHINGTON METROPOLITAN AREA

Election districts, by group 1/ and county	Acres granted use-value assessment, 1965	Assessed value, 1965				Land sold 1963-65	Sale price, 1963-65 average		Number of sales, 1963-65
		Land alone		Land and improvements					
		Total	Per acre	Total	Per acre		Total	Per acre	
	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
GROUP 1									
Prince Georges									
5	8,732	676,390	77	1,275,340	146	2,100	3,639,776	1,733	32
12	550	39,760	72	61,860	112	435	1,553,530	3,511	10
6	408	95,130	233	108,520	266	243	1,743,665	7,176	7
18	51	6,090	119	7,260	142	344	964,267	2,803	11
2	---	---	---	---	---	---	---	---	---
16	---	---	---	---	---	---	---	---	---
17	---	---	---	---	---	---	---	---	---
Montgomery									
7	49	54,670	1,116	172,470	3,520	---	---	---	---
13	617	103,080	167	203,480	330	1,355	4,342,499	3,205	11
Total	10,407	975,120	---	1,828,930	---	4,477	12,243,737	---	71
Average	---	---	94	---	176	---	---	2,735	---
GROUP 2									
Prince Georges									
11	12,336	733,650	59	1,382,580	112	2,457	2,406,195	979	32
9	3,312	225,490	68	619,440	187	622	1,346,500	2,165	9
15	9,387	853,040	91	1,667,910	177	1,814	2,819,029	1,554	28
13	5,664	318,570	56	805,690	142	759	2,314,993	3,050	10
20	---	---	---	---	---	29	60,000	2,069	1
19	---	---	---	---	---	---	---	---	---
21	---	---	---	---	---	20	78,000	3,900	1
Montgomery									
10	4,064	707,690	174	1,385,690	341	272	585,100	2,151	4
4	3,237	512,070	158	1,132,170	350	1,365	4,029,590	2,952	18
5	4,112	596,770	145	1,238,870	301	676	1,789,000	2,646	13
8	13,474	1,583,040	117	3,141,740	233	3,037	5,807,299	1,912	32
Total	55,586	5,530,320	---	11,374,090	---	11,051	21,235,706	---	148
Average	---	---	99	---	205	---	---	1,922	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

Election districts by group 1/ and county	Acres granted use-value assessment, 1965	Assessed value, 1965				Land sold, 1963-65	Sale price 1963-65 average		Number of sales, 1963-65
		Land alone		Land and improvements					
		Total	Per acre	Total	Per acre		Total	Per acre	
GROUP 3	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
Prince Georges:									
8	14,052	957,772	68	1,873,250	133	1,197	505,735	423	20
4	23,088	1,201,160	52	3,350,180	145	1,502	628,800	419	15
3	12,048	730,530	61	1,810,000	150	1,373	2,394,748	1,744	12
7	20,737	1,908,930	92	3,796,190	183	1,439	2,035,749	1,415	15
14	2,269	159,300	70	300,210	132	934	2,509,615	2,688	17
1	97	9,200	95	15,880	164	46	140,000	3,043	1
Montgomery:									
6	17,745	146,590	88	2,944,190	166	5,516	9,377,999	1,700	48
9	11,130	975,250	88	1,875,540	169	3,021	7,159,000	2,370	27
1	21,381	1,586,440	74	2,820,740	132	2,671	2,228,500	834	24
Total	122,547	7,675,172	---	18,786,180	---	17,699	26,980,146	---	179
Average	---	---	63	---	153	---	---	1,524	---
GROUP 4									
Prince Georges:									
10	---	---	---	---	---	340	1,301,090	3,827	8
Montgomery:									
3	29,383	1,535,830	52	2,796,080	95	5,633	4,247,050	754	44
11	17,204	1,008,960	59	2,027,960	118	6,611	5,852,999	885	40
2	16,919	993,100	59	2,101,300	124	4,106	5,702,499	1,389	30
12	15,122	989,370	65	2,326,170	154	1,553	1,283,000	826	25
Total	78,628	4,527,260	---	9,251,510	---	18,243	18,386,638	---	147
Average	--	---	58	---	118	---	---	1,008	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

Election districts by group 1/ and county	Acres granted use-value assessment, 1965	Assessed value, 1965				Land sold, 1963-65	Sale price 1963-65 average		Number of sales, 1963-65
		Land alone		Land and improvements					
		Total	Per acre	Total	Per acre		Total	Per acre	
	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
GROUP 5									
Frederick									
18	8,250	619,105	75	1,272,185	154	3,044	960,187	315	31
9	21,363	1,734,910	81	3,286,075	154	3,770	1,697,031	450	40
7	22,415	1,844,433	82	3,583,275	160	6,372	3,468,497	544	52
1	22,898	2,533,185	111	4,233,930	185	3,306	1,549,117	469	20
Total	74,926	6,731,633	---	12,375,465	---	16,492	7,674,832	---	143
Average	---	---	90	---	165	---	---	465	---
GROUP 6									
Frederick									
14	10,190	859,470	84	1,559,280	153	1,392	442,548	318	18
23	6,556	698,385	107	1,300,465	198	799	407,100	510	13
2	7,295	1,011,970	139	1,903,085	261	16	24,000	1,500	1
13	8,410	752,380	89	1,289,460	153	2,384	747,070	313	25
8	9,546	773,520	81	1,535,530	161	2,443	756,504	310	24
19	8,465	657,665	78	1,260,110	149	1,944	493,230	254	18
Total	50,462	4,753,390	---	8,847,930	---	8,978	2,870,452	---	99
Average	---	---	94	---	175	---	---	320	---
GROUP 7									
Frederick									
17	12,060	998,300	83	1,886,255	156	2,788	883,777	317	34
11	12,811	1,183,855	92	2,319,860	181	2,477	684,275	276	21
26	9,019	1,031,080	114	2,095,680	232	802	562,012	701	7
21	5,797	481,755	83	1,211,730	209	1,093	675,000	618	23
24	2,268	344,055	152	625,520	276	564	528,940	938	7
3	14,709	1,653,290	112	2,746,370	187	2,367	830,719	351	23
22	7,397	790,890	107	1,342,905	182	1,658	636,800	384	10
12	8,593	658,710	77	1,190,415	139	1,331	381,500	287	8
Total	72,654	7,141,935	---	13,418,735	---	13,080	5,183,023	---	133
Average	---	---	98	---	185	---	---	396	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

Election districts by group 1/ and county	Acres granted use-value assessment 1965	Assessed value, 1965				Land sold 1963-65	Sale price, 1963-65 average		Number of sales, 1963-65
		Land alone		Land and improvements					
		Total	Per acre	Total	Per acre		Total	Per acre	
GROUP 8	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
Frederick									
16	10,412	712,730	68	1,547,420	149	2,132	551,500	259	31
6	8,410	496,980	59	1,103,450	131	1,630	439,784	270	35
20	9,840	751,000	76	1,635,235	166	3,125	2,402,618	769	31
10	6,928	402,945	58	902,145	130	1,296	275,835	213	27
15	9,558	669,270	70	1,349,140	141	2,463	758,175	308	29
5	21,067	1,391,845	66	2,299,100	109	3,537	980,030	277	47
4	10,196	719,025	71	1,383,490	136	1,452	418,782	288	16
Total	76,411	5,143,795	---	10,219,980	---	15,635	5,826,724	---	216
Average	---	---	67	----	134	---	---	373	--
County totals and averages									
Montgomery									
Total	154,437	10,792,860	---	24,166,400	---	35,816	52,404,535	---	316
Average	----	----	70	---	156	---	---	1,463	---
Prince Georges									
Total	112,731	7,915,012	---	17,074,310	---	15,654	26,441,692	---	229
Average	---	---	70	----	151	---	---	1,689	---
Frederick									
Total	274,453	23,770,753	--	44,862,110	---	54,185	21,569,531	---	591
Average	---	---	87	---	163	---	---	398	---
Washington Metro. Area									
Total	541,621	42,478,625	---	86,102,820	---	105,655	100,415,758	---	1,136
Average	---	---	78	---	159	---	---	950	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

BALTIMORE METROPOLITAN AREA

Election districts by group 1/ and county	Acres granted use-value assessment 1965	Assessed value, 1965				Land sold 1963-65	Sale price, 1963-65 average		Number of sales 1963-65
		Land alone		Land and improvements			Total	Per acre	
		Total	Per acre	Total	Per acre				
	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
GROUP 1									
Baltimore									
13	115	20,540	179	26,490	230	---	---	---	---
1	1,980	246,355	124	523,955	265	---	---	---	---
2	9,111	1,223,990	134	3,105,265	341	108	142,000	1,315	7
3	2,353	519,900	221	1,136,325	483	55	173,000	3,145	4
9	---	---	---	---	---	15	17,000	1,133	2
14	1,858	264,125	142	637,700	343	---	---	---	---
15	---	---	---	---	---	10	12,500	1,250	1
12	65	12,115	186	28,740	442				
Anne Arundel									
5	---	---	---	---	---	---	---	---	---
3	9,932	1,279,236	129	2,218,612	223	1,446	1,630,803	1,128	37
Total	25,414	3,566,261	---	7,677,087	---	1,634	1,975,303	---	51
Average	---	---	140	---	302	---	---	1,209	---
GROUP 2									
Baltimore									
4	23,058	2,816,390	122	5,964,775	259	264	210,500	797	9
8	29,459	2,627,780	89	5,888,275	200	589	304,691	517	5
10	21,090	2,192,940	104	5,004,615	237	662	369,000	557	10
11	18,523	2,386,990	129	5,294,855	286	422	256,000	607	12
Carroll									
5	8,614	77,780	9	1,615,355	188	1,735	991,000	571	20
Anne Arundel									
4	13,139	1,264,579	96	2,601,304	198	1,717	1,976,526	1,151	46
2	15,621	966,165	62	2,466,493	158	2,858	3,190,813	1,116	44
6	---	---	---	---	---	---	---	---	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

Election districts by group 1/ and county	Acres granted use-value assessment	Assessed value				Land sold	Sale price		Number of sales
		Land alone		Land and improvements					
		Total	Per acre	Total	Per acre	1963-65	Total	Per acre	
	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
Howard									
1	1,668	222,380	133	487,560	292	1,006	1,449,900	1,441	9
2	5,327	872,930	164	1,589,040	298	2,442	4,329,006	1,773	16
3	18,856	1,725,400	92	3,478,155	184	2,511	1,637,778	652	22
Harford									
1	21,133	1,657,998	78	4,178,337	198	1,126	1,038,405	922	18
Total	176,488	16,811,332	--	38,568,764	--	15,332	15,753,619	---	211
Average	---	---	95	---	219	---	---	1,027	---
GROUP 3									
Baltimore									
5	22,146	1,763,005	80	4,564,765	206	531	316,509	596	12
7	27,007	1,856,165	69	4,068,665	151	765	214,500	280	13
Carroll									
14	21,327	1,220,257	57	2,632,467	123	3,829	1,627,506	425	46
4	23,450	1,960,175	84	4,103,275	175	1,691	829,127	490	41
8	16,348	1,291,529	79	2,802,675	171	1,898	820,125	432	32
Harford									
4	57,411	4,312,982	75	10,295,694	179	5,334	2,134,800	400	88
3	---	---	--	---	--	3,304	2,060,409	624	50
2	26,054	1,953,253	75	4,764,173	183	1,368	884,420	646	24
Anne Arundel									
1	33,614	1,929,525	57	4,691,611	140	4,354	2,524,092	580	69
Howard									
4	15,791	1,522,525	96	3,306,690	209	4,181	2,912,315	697	35
5	19,972	1,838,705	92	4,025,995	202	9,179	8,973,252	978	42
6	8,226	1,009,765	123	2,008,615	244	4,371	5,167,387	1,182	32
Total	271,346	20,657,886	---	47,264,625	---	40,805	28,464,442	---	484
Average	---	---	76	---	174	---	---	698	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

Election districts by group 1/ and county	Acres granted use-value assessment 1965	Assessed value, 1965				Land sold, 1963-65	Sale Price 1963-65, average		Number of Sales, 1963-65
		Land alone		Land and improvements			Total	Per Acre	
		Total	Per Acre	Total	Per Acre				
	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
GROUP 4									
Baltimore									
6	15,153	1,037,260	68	2,117,665	140	358	148,000	413	12
Carroll									
13	7,654	492,400	64	1,077,330	141	1,512	653,659	432	19
9	15,303	814,790	53	1,615,474	106	1,898	672,775	354	22
7	23,721	2,010,709	85	4,110,715	173	1,786	925,563	518	26
6	29,397	2,206,050	75	4,307,058	147	3,943	1,148,036	291	60
Harford									
5	42,141	2,934,100	70	7,148,107	170	4,445	1,680,886	378	67
Anne Arundel									
7	3,227	205,880	64	471,255	146	720	245,900	342	10
8	22,279	1,021,375	46	3,029,400	136	2,609	1,278,058	490	35
Total	158,875	10,722,564	---	23,877,004	---	17,271	6,752,877	---	251
Average	---	---	67	---	150	---	---	391	---
GROUP 5									
Carroll									
11	14,180	1,133,255	80	2,018,320	142	1,912	697,098	365	20
2	20,848	2,753,960	132	2,753,960	132	1,536	625,009	407	25
3	20,917	2,607,589	125	2,607,589	125	3,202	903,975	282	31
Total	55,945	6,494,804	---	7,379,869	---	6,650	2,226,082	---	76
Average	---	---	116	---	132	---	---	335	---
GROUP 6									
Carroll									
12	4,837	259,020	54	594,085	123	488	199,200	408	7
10	7,434	551,661	74	1,191,312	160	1,075	346,600	322	10
1	22,959	1,302,066	57	2,725,083	119	2,548	885,020	347	34
Total	35,230	2,112,747	---	4,510,480	---	4,111	1,430,820	---	51
Average	---	---	60	---	128	---	---	348	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

Table 9.--Selected data for land granted use-value assessment as farmland, metropolitan areas, Maryland, by election districts, 1963-65--Continued

Election districts by group 1/ and county	Acres granted use value assessment 1965	Assessed value, 1965				Land sold 1963-65	Sale price, 1963-65 average		Number of sales 1963-65
		Land alone		Land and improvements					
		Total	Per acre	Total	Per acre		Total	Per acre	
	Acres	Dollars	Dollars	Dollars	Dollars	Acres	Dollars	Dollars	Number
County totals and averages									
Baltimore									
Total	171,918	16,967,555	---	38,362,090	---	3,779	2,163,700	---	87
Average	---	---	99	---	223	---	---	573	---
Anne Arundel									
Total	97,812	6,666,760	---	15,478,675	---	13,704	10,846,192	---	241
Average	---	---	68	---	158	---	---	791	---
Harford									
Total	146,739	10,858,333	---	26,386,311	---	15,577	7,798,920	---	247
Average	---	---	74	---	180	---	---	501	---
Carroll									
Total	236,989	18,681,241	---	34,154,698	---	29,053	11,324,693	---	393
Average	---	---	79	---	144	---	---	390	---
Howard									
Total	69,840	7,191,705	---	14,896,055	---	23,690	24,469,638	---	156
Average	---	---	103	---	213	---	---	1,033	---
Baltimore metropolitan area									
Total	723,298	60,365,594	---	129,277,829	---	85,803	56,603,143	---	1,124
Average	---	---	83	---	179	---	---	660	---

1/ Group number indicates location with respect to central city, the contiguous districts nearest the central city being in group 1.

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